

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Republic, Michigan	County Marquette
Fiscal Year End 3/31/07	Opinion Date 5/10/08	Date Audit Report Submitted to State 5-23-08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

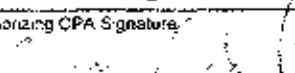
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, P.L.C.		Telephone Number 906-225-1166	
Street Address 102 W. Washington Street, Suite 109		City Marquette	State MI
Authorizing CPA Signature 		Printed Name Michael Alan Greutz	Zip 49855
		License Number 1101027988	

TOWNSHIP OF REPUBLIC, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

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Anderson, Tackman & Company, PLC

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of the
Township of Republic, Michigan
P.O. Box 338
Republic, Michigan 49879

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Republic, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township of Republic, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Republic, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Republic, Michigan as of March 31, 2007, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2008, on our consideration of the Township of Republic, Michigan's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 32 through 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain

The Board of Trustees of the
Township of Republic, Michigan

limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Republic, Michigan's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 10, 2008

Township of Republic, Michigan MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of Republic, Michigan's financial performance provides an overview of the Township of Republic, Michigan's financial activities for the year ended March 31, 2007. Please read it in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Net assets for the Township of Republic as a whole increased by \$302,672 as a result of this year's operations. Net assets of our business-type activities increased by \$278,169, or 17 percent, and net assets of our governmental activities increased by \$24,503, or 12 percent.
- During the year, the Township of Republic had expenses for governmental activities that were \$504,242 which is \$24,503 less than the \$528,745 generated in program revenue sources.
- During the year, the Township of Republic had expenses for business-type activities that were \$373,976 which is \$278,169 less than the \$864,946 generated in program revenue sources.
- The General Fund reported a net fund balance of \$354,976, which is an increase of \$24,504 as a result of this year's operation.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township of Republic, Michigan as a whole and present a longer-term view of the Township of Republic, Michigan's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for the future spending. Fund financial statements also report the Township of Republic, Michigan's operations in more detail than the government-wide financial.

Reporting the Township of Republic as a Whole

Our analysis of the Township of Republic, Michigan as a whole begins on page 6. One of the most important questions asked about the Township of Republic, Michigan's finances is "Is the Township of Republic, Michigan as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township of Republic, Michigan as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township of Republic, Michigan's *net assets* and changes in them. You can think of the net assets - the difference between assets and liabilities - as one way to measure the financial health, or *financial position*. Over time, *increases or decreases* in the net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the patron base and the condition of the capital assets, to assess the *overall financial health* of the Township of Republic, Michigan.

In the Statement of Net Assets and the Statement of Activities, we divide the Township of Republic, Michigan into two kinds of activities:

- **Governmental Activities** – Most of the Township of Republic, Michigan's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township of Republic, Michigan charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township of Republic's Water System, Sewer System and Solid Waste Disposal activities are reported here.

Township of Republic, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table I provides a summary of the Township of Republic's net assets as of March 31, 2007 and 2005.

Table 1
Statement of Net Assets

	2007			2005		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and Other Assets	\$422,654	\$100,291	\$522,945	\$385,299	\$236,825	\$622,124
Capital Assets, Net	510,560	2,062,990	2,573,550	-	2,081,089	2,081,089
Total Assets	933,214	2,163,281	3,096,495	385,299	2,317,914	2,703,213
Current liabilities	20,302	17,827	38,129	-	15,000	15,000
Non-Current Liabilities	690,451	252,086	942,537	674,200	245,000	919,200
Total Liabilities	710,753	269,913	980,666	674,200	260,000	934,200
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	(197,709)	1,794,121	1,596,412	(674,200)	1,821,089	1,146,889
Restricted	-	-	-	47,957	100,932	148,889
Unrestricted	420,170	99,247	519,417	337,342	135,893	473,235
Total Net Assets	\$222,461	\$1,893,368	\$2,115,829	\$(288,901)	\$2,057,914	\$1,769,013

Net assets of the Township of Republic, Michigan's governmental activities stood at \$222,461. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$222,461.

The \$222,461 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$1,893,368. The Township of Republic can generally only use these net assets to finance continuing operations of the Water System, Sewer System and Solid Waste Disposal operations.

The results of this year's operations for the Township of Republic as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2007 and 2005.

Table 2
Statement of Activities

	2007			2005		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program Revenues:						
Charges for services	\$37,775	\$650,912	\$688,687	\$24,571	\$237,212	\$261,783
Operating Grants and Contributions	-	-	-	168,620	-	168,620
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	334,587	-	334,587	303,122	-	303,122
State Sources	87,024	-	87,024	86,999	-	86,999
Interest and Miscellaneous	69,359	1,233	70,592	42,574	73,297	115,871
Total Revenues	528,745	652,145	1,180,890	625,886	310,509	936,395

Township of Republic, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	2007			2005		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Program Expenses:						
Legislative	\$44,372	\$-	\$44,372	\$18,497	\$	\$18,497
General Services and administration	146,308	-	146,308	115,356	-	115,356
Public Safety	31,548	-	31,548	62,999	-	62,999
Public Works	109,307	-	109,307	105,300	-	105,300
Community and Economic Development	4,896	-	4,896	-	-	-
Health and Welfare	31,470	-	31,470	22,572	-	22,572
Recreation and Culture	15,317	-	15,317	8,022	-	8,022
Debt Service	30,356	-	30,356	28,502	-	28,502
Capital Outlay	39,388	-	39,388	208,566	-	208,566
Other Expense	-	-	-	223,190	-	223,190
Unallocated Depreciation	51,280	-	51,280	-	-	-
Sewer system	-	150,988	150,988	-	159,051	159,051
Water system	-	110,063	110,063	-	121,856	121,856
Solid waste disposal	-	112,925	112,925	-	110,588	110,588
Total Expenses	504,242	373,976	878,218	793,004	391,495	1,184,499
Transfers	-	-	-	-	-	-
Increase (decrease) in net assets	24,503	278,169	302,672	(167,118)	(80,986)	(248,104)
Net assets, beginning,	197,958	1,615,199	1,813,157	(121,783)	2,138,900	2,017,117
Net Assets, Ending	\$222,461	\$1,893,368	\$2,115,829	\$(288,901)	\$2,057,914	\$1,769,013

The Township of Republic's total revenues were \$1,180,890. The total cost of all programs and services was \$878,218, leaving an increase in net assets of \$302,672. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The Governmental Activities experienced an increase in net assets for the year of \$24,503.

Key reasons for the change in net assets are as follows:

- Net Increase in governmental fund balances of \$35,438
- Capital Outlay reclassified to Capital Assets of \$23,715
- Depreciation charged to expenses of \$51,280
- Principle payments reclassified from expenses to liability \$16,630

Business-type Activities

The Business-Type Activities experienced an increase in net assets for the year of \$278,169.

Key reasons for the change in net assets are as follows:

- Sewer Fund decrease of \$66,248, which is resulting from not charging users enough to cover expenses.
- Water Fund increase of \$356,589, which is resulting from a \$360,000 grant to replace the water tower.
- Solid Waste decrease of \$12,172, which is resulting from not charging users enough to cover expenses.

THE TOWNSHIP OF REPUBLIC, MICHIGAN'S FUNDS

Our analysis of the Township of Republic, Michigan's major funds begins on page 12. The fund financial statements provide detail information about the most significant funds, not the Township of Republic, Michigan as a whole. The Board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township of Republic, Michigan's major funds includes the General Fund, Debt Service Fund, Water Fund, Sewer Fund, and Solid Waste Fund.

Township of Republic, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Governmental Funds had a net income for the year of \$35,438. The main reason for this increase was \$26,000 less spending from miscellaneous expenditures in the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township of Republic, Michigan did revise the budget.

There were several significant budget variances during the fiscal year. Revenues were \$41,520 less than the budgeted \$512,345. Expenditures were \$29,011 less than the budgeted \$417,310.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007 and 2006, the Township of Republic had \$2,573,550 and \$2,200,487 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment. (See table 3 below).

Table 3
Capital Assets

	2007	2006
Land	\$-	\$-
Buildings and improvements	2,342,101	1,940,037
Equipment and furnishings	231,449	260,450
TOTALS	<u>\$2,573,550</u>	<u>\$2,200,487</u>

There were no deletions to Capital Assets during the current year, and additions totaling \$469,130, there was a \$400,000 grant for a new water tower and \$9,165 for a new lawn mower, \$14,550 for a new boiler in the community building and \$45,415 in various utility system improvements and depreciation expense of \$151,197 recorded during the year. Further details on capital assets can be found in the Footnotes to the Financial Statements.

Debt

At the end of fiscal year 2007 and 2006, the Township of Republic, Michigan had \$977,138 and \$969,899 in bonds outstanding as depicted in Table 4 below.

Table 4
Long-Term Debt

	2007	2006
Landfill Bond	\$9,269	\$11,899
EMS Building Bond	699,000	713,000
Sewer Revenue Bond	185,000	195,000
Special Assessment Sewer Bond	45,000	50,000
Water Tank Loan	38,869	-
TOTALS	<u>\$977,138</u>	<u>\$969,899</u>

There were new additions to debt for this year in the amount of \$40,000 and principal payments were \$32,761. Further details on long-term debt can be found in the Footnotes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township of Republic, Michigan's budget for the year ending March 31, 2008, the Township of Republic, Michigan considered the following issues:

- We reviewed the fiscal year 2006 and 2007 budget vs. actual and budgeted roughly the same amounts, except for some minor variances.

Township of Republic, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

CONTACTING THE TOWNSHIP OF REPUBLIC'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the Township of Republic, Michigan's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, contact the Township of Republic, P.O. Box 338, Republic, Michigan 49879

Republic Township, Michigan

STATEMENT OF NET ASSETS

March 31, 2007

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and equivalents	\$ 68,620	\$ 41,674	\$ 110,294
Accounts receivable, net	46,095	55,595	101,690
Inter-fund receivables and payables	307,939	3,022	310,961
TOTAL CURRENT ASSETS	422,654	100,291	522,945
Non-current assets:			
Land and construction in progress	-	-	-
Other capital assets	1,928,015	4,016,690	5,944,705
Accumulated depreciation	(1,417,455)	(1,953,700)	(3,371,155)
Total Capital Assets	510,560	2,062,990	2,573,550
TOTAL NON-CURRENT ASSETS	510,560	2,062,990	2,573,550
TOTAL ASSETS	933,214	2,163,281	3,096,495
LIABILITIES:			
Current Liabilities:			
Wages payable	2,484	1,044	3,528
Current Maturities of bonds payable	17,818	16,783	34,601
TOTAL CURRENT LIABILITIES	20,302	17,827	38,129
Non-current Liabilities:			
Bonds payable	690,451	252,086	942,537
TOTAL NON-CURRENT LIABILITIES	690,451	252,086	942,537
TOTAL LIABILITIES	710,753	269,913	980,666
NET ASSETS			
Invested in capital assets net of related debt	(197,709)	1,794,121	1,596,412
Unrestricted	420,170	99,247	519,417
TOTAL NET ASSETS	\$ 222,461	\$ 1,893,368	\$ 2,115,829

The accompanying notes are an integral part of these financial statements.

Republic Township, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2007

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
Primary Government:							
Governmental Activities:							
Legislative	\$ 44,372	\$ -	\$ -	\$ -	\$ (44,372)	\$ -	\$ (44,372)
General Services and Administration	146,308	11,299	-	-	(135,009)	-	(135,009)
Public Safety	31,548	1,400	-	-	(30,148)	-	(30,148)
Public works	109,307	-	-	-	(109,307)	-	(109,307)
Community and Economic Development	4,896	-	-	-	(4,896)	-	(4,896)
Health and Welfare	31,470	25,076	-	-	(6,394)	-	(6,394)
Recreation and Culture	15,317	-	-	-	(15,317)	-	(15,317)
Debt Service	30,356	-	-	-	(30,356)	-	(30,356)
Capital Outlay	39,388	-	-	-	(39,388)	-	(39,388)
Unallocated Depreciation	51,280	-	-	-	(51,280)	-	(51,280)
Total Governmental Activities	504,242	37,775	-	-	(466,467)	-	(466,467)
Business Type Activities:							
Sewer	150,988	83,884	-	-	-	(67,104)	(67,104)
Water	110,063	466,452	-	-	-	356,389	356,389
Solid Waste	112,925	100,576	-	-	-	(12,349)	(12,349)
Total Business Type Activities	373,976	650,912	-	-	-	276,936	276,936
TOTAL PRIMARY GOVERNMENT	\$ 878,218	\$ 688,687	\$ -	\$ -	(466,467)	276,936	(189,531)
General Revenues:							
Taxes					334,587	-	334,587
Unrestricted State Sources					87,024	-	87,024
Interest and rentals					3,239	1,233	4,472
Other Revenue					66,120	-	66,120
TOTAL GENERAL REVENUES AND TRANSFERS					490,970	1,233	492,203
CHANGE IN NET ASSETS					24,503	278,169	302,672
Net assets, beginning of year, as restated					197,958	1,615,199	1,813,157
NET ASSETS, END OF YEAR					\$ 222,461	\$ 1,893,368	\$ 2,115,829

The accompanying notes are an integral part of these financial statements.

Republic Township, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2007

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 62,542	\$ 6,078	\$ 68,620
Receivables	41,231	4,864	46,095
Due from other funds	253,687	54,252	307,939
TOTAL ASSETS	\$ 357,460	\$ 65,194	\$ 422,654
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accrued wages	\$ 2,484	\$ -	\$ 2,484
Due to other funds	-	-	-
TOTAL LIABILITIES	2,484	-	2,484
FUND BALANCE:			
Unreserved, reported in:			
General Fund	354,976	-	354,976
Debt Service Fund	-	65,194	65,194
TOTAL FUND BALANCE	354,976	65,194	420,170
TOTAL LIABILITIES AND FUND BALANCE	\$ 357,460	\$ 65,194	\$ 422,654

The accompanying notes are an integral part of these financial statements.

Republic Township, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2007

Total Fund Balances for Governmental Funds	\$	420,170
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Amounts reported for governmental activities in the statement

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Land	\$	-	
Capital assets		1,928,015	
Accumulated depreciation		<u>(1,417,455)</u>	
			510,560

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$	(17,818)	
Current portion of compensated absences		<u>(690,451)</u>	
			<u>(708,269)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$	222,461
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The accompanying notes are an integral part of these financial statements.

Republic Township, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2007

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes	\$ 275,471	\$ 59,116	\$ 334,587
State Sources	87,024	-	87,024
Charges for Services	37,775	-	37,775
Interest and Rentals	3,239	-	3,239
Other Revenue	67,316	(1,196)	66,120
TOTAL REVENUES	470,825	57,920	528,745
EXPENDITURES:			
Current operations:			
Legislative	44,372	-	44,372
General Services and Administration	146,308	-	146,308
Public Safety	31,548	-	31,548
Public Works	109,307	-	109,307
Community and Economic Development	4,896	-	4,896
Health and Welfare	31,470	-	31,470
Recreation and Culture	15,317	-	15,317
Debt Service	-	46,986	46,986
Other	63,103	-	63,103
TOTAL EXPENDITURES	446,321	46,986	493,307
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,504	10,934	35,438
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	24,504	10,934	35,438
Fund balance, beginning of year	330,472	54,260	384,732
FUND BALANCE, END OF YEAR	\$ 354,976	\$ 65,194	\$ 420,170

The accompanying notes are an integral part of these financial statements.

Republic Township, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	35,438
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	23,715	
Depreciation expense		<u>(51,280)</u>	
			(27,565)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

		<u>16,630</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>24,503</u></u>
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The accompanying notes are an integral part of these financial statements.

Republic Township, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2007

	Business - Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Solid Waste Fund	
ASSETS:				
Current Assets:				
Cash and equivalents	\$ 5,891	\$ 22,422	\$ 13,361	\$ 41,674
Accounts receivable, net	36,103	10,553	8,939	55,595
Due from other funds	1,025	-	1,997	3,022
TOTAL CURRENT ASSETS	<u>43,019</u>	<u>32,975</u>	<u>24,297</u>	<u>100,291</u>
Non-current Assets:				
Land	-	-	-	-
Capital assets	2,993,315	1,023,375	-	4,016,690
Accumulated depreciation	(1,721,013)	(232,687)	-	(1,953,700)
TOTAL NON-CURRENT ASSETS	<u>1,272,302</u>	<u>790,688</u>	<u>-</u>	<u>2,062,990</u>
TOTAL ASSETS	<u>1,315,321</u>	<u>823,663</u>	<u>24,297</u>	<u>2,163,281</u>
LIABILITIES:				
Current Liabilities:				
Wages Payable	333	403	308	1,044
Current portion of long-term debt	15,000	1,783	-	16,783
TOTAL CURRENT LIABILITIES	<u>15,333</u>	<u>2,186</u>	<u>308</u>	<u>17,827</u>
Non-current Liabilities:				
Bond payable	215,000	37,086	-	252,086
TOTAL NON-CURRENT LIABILITIES	<u>215,000</u>	<u>37,086</u>	<u>-</u>	<u>252,086</u>
TOTAL LIABILITIES	<u>230,333</u>	<u>39,272</u>	<u>308</u>	<u>269,913</u>
NET ASSETS:				
Invested in capital assets net of related debt	1,042,302	751,819	-	2,062,990
Restricted - debt service	42,686	32,572	23,989	(169,622)
Unrestricted				
TOTAL NET ASSETS	<u>\$ 1,084,988</u>	<u>\$ 784,391</u>	<u>\$ 23,989</u>	<u>\$ 1,893,368</u>

The accompanying notes are an integral part of these financial statements.

Republic Township, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended March 31, 2007

	Business - Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Solid Waste Fund	
OPERATING REVENUES:				
Charges for services (net)	\$ 82,773	\$ 94,924	\$ 98,140	\$ 275,837
Other operating revenue	1,111	371,528	2,436	375,075
TOTAL OPERATING REVENUES	83,884	466,452	100,576	650,912
OPERATING EXPENSES:				
Personnel services	32,250	40,418	27,912	100,580
Supplies	343	5,919	25,689	31,951
Other services and charges	31,812	36,595	59,324	127,731
Depreciation	74,333	25,584	-	99,917
TOTAL OPERATING EXPENSES	138,738	108,516	112,925	360,179
OPERATING INCOME (LOSS)	(54,854)	357,936	(12,349)	290,733
NON-OPERATING REVENUES (EXPENSES):				
Investment income	856	200	177	1,233
Interest expense	(12,250)	(1,547)	-	(13,797)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(11,394)	(1,347)	177	(12,564)
INCOME (LOSS) BEFORE TRANSFERS	(66,248)	356,589	(12,172)	278,169
TRANSFERS IN/(OUT)	-	-	-	-
CHANGE IN NET ASSETS	(66,248)	356,589	(12,172)	278,169
Net assets, beginning of year	1,151,236	427,802	36,161	1,615,199
NET ASSETS, END OF YEAR	\$ 1,084,988	\$ 784,391	\$ 23,989	\$ 1,893,368

The accompanying notes are an integral part of these financial statements.

Republic Township, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended March 31, 2007

	Business -Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from fees and charges for services	\$ 92,589	\$ 119,669	\$ 123,312	\$ 335,570
Other operating revenues	1,111	371,528	2,436	375,075
Cash payments to employees for services	(32,250)	(40,418)	(27,912)	(100,580)
Cash payments to suppliers for goods and services	(32,155)	(42,514)	(85,013)	(159,682)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>29,295</u>	<u>408,265</u>	<u>12,823</u>	<u>450,383</u>
CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:				
Cash payments for capital assets	(15,714)	(429,699)	-	(445,413)
(Increase) decrease in due (to)/from other funds	(1,025)	-	(760)	(1,785)
Increase (decrease) in bonds payable	(15,000)	38,869	-	23,869
Interest payments	(12,250)	(1,547)	-	(13,797)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(43,989)</u>	<u>(392,377)</u>	<u>(760)</u>	<u>(437,126)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	856	200	177	1,233
NET CASH PROVIDED (USED) INVESTING ACTIVITIES	<u>856</u>	<u>200</u>	<u>177</u>	<u>1,233</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(13,838)</u>	<u>16,088</u>	<u>12,240</u>	<u>14,490</u>
Cash and cash equivalents, beginning of year	<u>19,729</u>	<u>6,334</u>	<u>1,121</u>	<u>27,184</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,891</u>	<u>\$ 22,422</u>	<u>\$ 13,361</u>	<u>\$ 41,674</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	<u>\$ (54,854)</u>	<u>\$ 357,936</u>	<u>\$ (12,349)</u>	<u>\$ 290,733</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	74,333	25,584	-	99,917
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	9,816	24,745	25,172	59,733
Increase (decrease) in accrued wages payable	-	-	-	-
NET ADJUSTMENTS	<u>84,149</u>	<u>50,329</u>	<u>25,172</u>	<u>159,650</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 29,295</u>	<u>\$ 408,265</u>	<u>\$ 12,823</u>	<u>\$ 450,383</u>

The accompanying notes are an integral part of these financial statements.

Republic Township, Michigan

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2007

	Agency Funds
ASSETS:	
Cash and equivalents	<u>\$ 310,961</u>
TOTAL ASSETS	<u><u> 310,961</u></u>
LIABILITIES:	
Due to other funds	310,961
Due to other units	<u> -</u>
TOTAL LIABILITIES	<u><u>\$ 310,961</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF REPUBLIC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Republic, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Republic, Michigan.

(1) REPORTING ENTITY

The Township of Republic, Michigan is governed by an elected five member board. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

Jointly Governed Organization – Marquette County Solid Waste Management Authority

In June 1988, The Township of Republic, Michigan joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). Please read Footnotes for more information.

(2) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(3) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, state-shared revenue, grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township of Republic, Michigan property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township of Republic, Michigan as of the preceding December 31st.

Although the Township of Republic, Michigan 2007 ad valorem tax is levied and collectible on December 1, 2007, it is the Township of Republic, Michigan's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of the Township of Republic, Michigan totaled \$39,993,643, on which ad valorem taxes levied consisted of 1.1881 mills for the operating purposes, 5.0000 mills for additional operating purposes, and 1.4778 mills for EMS Building debt service. These amounts are recognized in the respective General Fund, General Fund, and Debt Service Fund financial statements as taxes receivable or as tax revenue.

The Township of Republic, Michigan reports the following major governmental funds:

- The **General Fund** is the Township of Republic, Michigan's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Debt Service Fund** is used to account for revenues and expenditures for the property taxes levied for and related payments of debt for the EMS Building.

The Township of Republic, Michigan reports the following major proprietary funds:

- The **Water Fund** is used to account for revenues and expenses for the operation of a water system.
- The **Sewer Fund** is used to account for revenues and expenses for the operation of a sewer system.
- The **Solid Waste Fund** is used to account for revenues and expenses for the operation of refuse collection.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g. labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue.

Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expense.

(4) ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to the General Fund.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Restricted Assets – The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of Republic, Michigan as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

constructed. Donated capital assets are recorded at their estimated market value on the date of donation. Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	25 years
Water and Sewage System	40 years
Infrastructure	10 to 50 years
Equipment	10 years

Compensated Absences (Vacation and Sick Leave) – The Township of Republic, Michigan not does provide any compensated absences for their employees.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates – The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles require the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues and expenditures. Actual results may differ from estimated amounts.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgets and Budgetary Accounting – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level:

- a. The Supervisor submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued):

- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of policy to make certain transfers:
 - 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 - 2. The following considerations must be reviewed in determination of transfer approvals.
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the Departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Board of Trustees.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Township of Republic, Michigan incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued):

	Budget	Actual	Unfavorable Variance
General Fund:			
Legislative	\$44,245	\$44,372	\$127
General Services and Admin	145,045	146,308	1,263
Public Works	108,810	109,307	497
Community and Economic			
Development	4,865	4,896	31
Health and Welfare	31,240	31,470	230
Other	36,160	63,103	26,943

NOTE C – DEPOSITS AND INVESTMENTS:Cash Equivalents

As of March 31, 2007, the Township of Republic, Michigan's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business Type Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$68,620	\$41,674	\$310,961	\$421,255
Investments	-	-	-	-
	<u>\$68,620</u>	<u>\$41,674</u>	<u>\$310,961</u>	<u>\$421,255</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township of Republic, Michigan's deposits may not be returned to it. State law does not require and the Township of Republic, Michigan does not have a deposit policy for custodial credit risk. The carrying amounts of the Township of Republic, Michigan's deposits with financial institutions were \$421,255 and the bank balance was \$457,253. The bank balance is categorized as follows:

Amount insured by the FDIC	\$100,000
Amount uncollateralized and uninsured	357,253
	<u>\$457,253</u>

Investments

As of March 31, 2007, the Township of Republic, Michigan did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township of Republic, Michigan's investments. The Township of Republic, Michigan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township of Republic, Michigan to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

The Township of Republic, Michigan has no investment policy that would further limit its investment choices. Ratings are not required for the Township of Republic Michigan's investment in U.S. Government Agencies or equity-type funds. The Township of Republic, Michigan's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township of Republic, Michigan places no limit on the amount the Township of Republic, Michigan may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE D – RECEIVABLES:

Receivables as of year-end for the government's individual major and non-major funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Sewer Fund	Water Fund	Solid Waste Fund	Total
Taxes Receivable	\$21,895	\$4,864	\$-	\$-	\$-	\$26,759
Due from other Governmental Units	19,336	-	-	-	-	19,336
Utility Billings	-	-	36,103	10,553	8,939	55,595
Totals	\$41,231	\$4,864	\$36,103	\$10,553	\$8,939	\$101,690

NOTE E – CAPITAL ASSETS:

Capital asset activity of the primary government for the current year was as follows:

	Balance at April 1, 2006	Additions	Disposals	Balance at March 31, 2007
GOVERNMENTAL ACTIVITIES:				
Land	\$-	\$-	\$-	\$-
Total Capital Assets, not being depreciated	-	-	-	-
Buildings and improvements	913,000	14,550	-	927,550
Furniture and equipment	991,300	9,165	-	1,000,465
Total Capital Assets, being depreciated	1,904,300	23,715	-	1,928,015
Less Accumulated Depreciation:				
Building and improvements	635,275	13,164	-	648,439
Furniture and equipment	730,850	38,116	-	769,016
Total Accumulated Depreciation	1,366,175	51,280	-	1,417,455
Net Capital Assets, being depreciated	482,995	(27,565)	-	510,560
Governmental Activities Capital Asset Total – Net of Depreciation	\$482,995	\$(27,565)	\$-	\$510,560
BUSINESS TYPE ACTIVITIES:				
Land	\$-	\$-	\$-	\$-
Total Capital Assets, not being depreciated	-	-	-	-
Building and improvements	3,551,275	445,415	-	3,996,690
Equipment	20,000	-	-	20,000
Total Capital Assets, being depreciated	3,571,275	445,415	-	4,016,690

NOTE E – CAPITAL ASSETS (Continued):

	Balance at April 1, 2006	Additions	Disposals	Balance at March 31, 2007
Less Accumulated Depreciation:				
Buildings and improvements	\$1,833,783	\$99,917	\$-	\$1,933,700
Equipment	20,000	-	-	20,000
Total Accumulated Depreciation	1,853,783	99,917	-	1,953,700
Net Capital Assets, being depreciated	1,717,492	345,498	-	2,062,990
Business-Type Activities Capital Asset Total – Net of Depreciation	<u>\$1,717,492</u>	<u>\$345,498</u>	<u>\$-</u>	<u>\$2,062,990</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
Unallocated Depreciation	\$51,280
Total Governmental Activities	<u>\$51,280</u>
Business-Type Activities:	
Sewer Fund	\$74,333
Water Fund	25,584
Total Depreciation Expense – Business-Type Activities	<u>\$99,917</u>

NOTE F – DUE INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Township of Republic, Michigan reports Interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of Interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in Interfund receivables and payables are as follows:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS				
	General Fund	Debt Service Fund	Sewer Fund	Solid Waste Fund	Total Due To Other Funds
Tax Collection Fund	\$253,687	\$54,252	\$1,025	\$1,997	\$310,961
Total Due From Other Funds	<u>\$253,687</u>	<u>\$54,252</u>	<u>\$1,025</u>	<u>\$1,997</u>	<u>\$310,961</u>

All balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfer Out To Other Funds		
	General Fund	Total Transfers In
Debt Service Fund	\$ -	\$ -
Total Transfers Out	<u>\$ -</u>	<u>\$ -</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE G – LONG-TERM DEBT:

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Township contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time of debt service payments are due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Individual bond and contractual obligation activity can be summarized as follows:

Landfill Bond				
March 31, 2007				
	May 1		November 1	Total
	Interest	Principle	Interest	
2007-2008	\$352	\$2,818	\$245	\$3,415
2008-2009	245	3,069	128	3,442
2009-2010	128	3,382	-	3,510
TOTALS	\$725	\$9,269	\$373	\$10,367

The Bond was originally issued for \$18,892 on February 1, 1988. Bond Payments are due Semi-annually, on May 1 (principal plus interest) and on November 1 (interest), with an interest rate of 4.0%.

EMS Building – Bond				
March 31, 2007				
	April 1		October 1	Total
	Interest	Principle	Interest	
2007-2008	\$-	\$-	\$16,164	\$16,164
2008-2009	16,164	15,000	15,818	46,982
2009-2010	15,818	16,000	15,448	47,266
2010-2011	15,448	16,000	15,078	46,526
2011-2012	15,078	17,000	14,684	46,762
2012-2017	69,005	101,000	56,670	226,675
2017-2022	55,963	130,000	52,957	238,920
2022-2027	39,775	155,000	36,190	230,965
2027-2032	20,419	194,000	15,933	230,352
2032-2034	1,341	55,000	69	56,410
TOTALS	\$249,011	\$699,000	\$249,011	\$1,197,022

The Bond was originally issued for \$800,000 on April 1, 2003. Bond Payments are due Semi-annually, on April 1 (principal plus interest) and on October 1 (interest), with an interest rate of 5.00%.

Sewer Revenue – Bond				
March 31, 2007				
	September 1	Principle	March 1	Total
	Interest		Interest	
2007-2008	\$4,625	\$10,000	\$4,625	\$19,250
2008-2009	4,375	10,000	4,375	18,750
2009-2010	4,125	10,000	4,125	18,250
2010-2011	3,875	10,000	3,875	17,750
2011-2012	3,625	10,000	3,625	17,250
2012-2017	13,625	70,000	13,625	97,250
2017-2021	4,250	65,000	4,250	58,500
TOTALS	\$38,500	\$185,000	\$38,500	\$262,000

The Bond was originally issued for \$350,000 on August 12, 1986. Bond Payments are due Semi-annually, on September 1 (interest) and on March 1 (principal and interest), with an interest rate of 5.00%.

NOTE G – LONG-TERM DEBT (Continued):

**Special Assessment Sewer – Bond
March 31, 2007**

	September 1		March 1	
	Interest	Principle	Interest	Total
2007-2008	\$1,125	\$5,000	\$1,125	\$7,250
2008-2009	1,000	5,000	1,000	7,000
2009-2010	875	5,000	875	6,750
2010-2011	750	10,000	750	11,500
2011-2012	500	10,000	500	11,000
2012-2013	250	10,000	250	10,500
TOTALS	\$4,500	\$45,000	\$4,500	\$54,000

The Bond was originally issued for \$165,000 on August 12, 1986. Bond Payments are due Semi-annually, on September 1 (interest) and on March 1 (principal and interest), with an interest rate of 5.00%.

**Water Tank Loan
March 31, 2007**

	Principle	Interest	Total
2007-2008	\$1,783	\$2,236	\$4,019
2008-2009	1,890	2,129	4,019
2009-2010	2,004	2,015	4,019
2010-2011	2,125	1,894	4,019
2011-2012	2,254	1,765	4,019
2012-2017	13,481	2,595	16,076
2017-2021	15,332	2,084	17,416
TOTALS	\$38,869	\$18,737	\$57,060

The Loan was originally issued for \$40,000 on July 20, 2006. Loan Payments are due monthly, with an interest rate of 5.87%.

Annual maturities on long-term debt are as follows:

	Governmental			Business		
	Principle	Interest	Total	Principle	Interest	Total
2007-2008	\$2,818	\$16,761	\$19,579	\$16,783	\$13,736	\$30,519
2008-2009	18,069	32,355	50,424	16,890	12,879	29,769
2009-2020	19,382	31,394	50,776	17,004	12,015	29,019
2010-2012	16,000	30,526	46,526	22,125	11,144	33,269
2011-2013	17,000	29,762	46,762	22,254	10,015	32,269
2012-2016	101,000	135,675	236,675	93,481	34,364	127,845
2017-2022	130,000	108,920	238,920	80,332	10,584	90,916
2022-2027	155,000	75,965	230,965	-	-	-
2027-2032	194,000	36,352	230,352	-	-	-
2032-2034	55,000	1,410	56,410	-	-	-
Totals	\$708,269	\$499,120	\$1,207,389	\$268,869	\$104,737	\$373,606

NOTE G – LONG-TERM DEBT (Continued):

	April 1, 2006	Additions	Reductions	March 31, 2007	Due Within One Year
Governmental Activities:					
Landfill Bond	\$11,899	\$-	\$2,630	\$9,269	\$2,818
EMS Building	713,000	-	14,000	699,000	-
Total Governmental Activities	724,899	-	16,630	708,269	2,818
Business-Type Activities:					
Sewer Revenue Bond	195,000	-	10,000	185,000	10,000
Sewer Special Assessment Bond	50,000	-	5,000	45,000	5,000
Water Tank Loan	-	40,000	1,131	38,869	1,783
Total Business-Type Activities	245,000	40,000	16,131	268,869	16,783
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	\$969,899	\$40,000	\$32,761	\$977,138	\$19,601

NOTE H – RESTRICTED NET ASSETS:

The Debt Service Fund has restricted net assets totaling \$65,194 which represents the balance available to pay down debt.

NOTE I – RISK MANAGEMENT:

The Local Government Unit is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Local Governmental Unit has purchased commercial insurance for claims and participates in the Michigan Townships Participating Plan. The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE J – JOINT VENTURE:

In June 1988, The Township of Republic, Michigan joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair, and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other 6 Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

NOTE J – JOINT VENTURE (Continued):

The Township's share of assets, liabilities and fund equity is approximately 1 percent. Summary financial information as of and for the fiscal year ended June 30, 2006, is as follows:

Total Assets	\$13,505,304
Total Liabilities	2,135,432
Total Equity	11,369,872
Total Operating Revenues	2,368,781
Total Operating Expenses	2,625,815
Net Income (loss)	(115,279)

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

Republic Township, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2007

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 342,043	\$ 261,660	\$ 275,471	\$ 13,811
State Sources	93,354	87,535	87,024	(511)
Charges for Services	2,300	40,200	37,775	(2,425)
Interest	24,500	4,000	3,239	(761)
Other Revenues	64,221	118,950	67,316	(51,634)
TOTAL REVENUES	526,418	512,345	470,825	(41,520)
EXPENDITURES:				
Legislative	3,100	44,245	44,372	(127)
General Services and Administration	132,259	145,045	146,308	(1,263)
Public Safety	41,000	31,590	31,548	42
Public Works	118,000	108,810	109,307	(497)
Community and Economic Development	5,000	4,865	4,896	(31)
Health & Welfare	30,000	31,240	31,470	(230)
Recreation and Culture	32,900	15,355	15,317	38
Other	83,000	36,160	63,103	(26,943)
TOTAL EXPENDITURES	445,259	417,310	446,321	(29,011)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	81,159	95,035	24,504	(70,531)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	81,159	95,035	24,504	(70,531)
Fund balance, beginning of year	330,472	330,472	330,472	-
FUND BALANCE, END OF YEAR	\$ 411,631	\$ 425,507	\$ 354,976	\$ (70,531)

Republic Township, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 212,020	\$ 223,188	\$ 11,168
Delinquent property tax	20,000	21,895	1,895
Commercial forest	12,700	12,603	(97)
Administration fees	13,010	13,859	849
Payment in lieu of taxes	3,930	3,926	(4)
Total Taxes	261,660	275,471	13,811
State Sources:			
State revenue sharing	85,525	85,016	(509)
Swamp tax	2,010	2,008	(2)
Total State Sources	87,535	87,024	(511)
Charges for Services:			
Animal license	175	93	(82)
Cemetery	5,425	5,425	-
Fire	1,400	1,400	-
Ambulance	26,500	25,076	(1,424)
Other	6,700	5,781	(919)
Total Fees, Permits & Licenses	40,200	37,775	(2,425)
Interest & Rentals:			
Interest income	2,700	1,949	(751)
Rental Income	1,300	1,290	(10)
Total Interest	4,000	3,239	(761)
Other Revenues:			
Reimbursements	112,750	61,266	(51,484)
Sale of fixed assets	6,200	6,050	(150)
Miscellaneous	-	-	-
Total Other Revenues	118,950	67,316	(51,634)
TOTAL REVENUES	512,345	470,825	(41,520)
EXPENDITURES:			
LEGISLATIVE:			
Township Board:			
Personnel services	4,610	5,293	(683)
Supplies	-	-	-
Other services and charges	39,635	39,079	556
TOTAL LEGISLATIVE	44,245	44,372	(127)

Republic Township, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	\$ 4,660	\$ 4,786	\$ (126)
Supplies	-	-	-
Other services and charges	-	-	-
Total Supervisor	<u>4,660</u>	<u>4,786</u>	<u>(126)</u>
Elections:			
Personnel services	1,725	1,721	4
Supplies	175	171	4
Other services and charges	1,585	1,578	7
Total Elections	<u>3,485</u>	<u>3,470</u>	<u>15</u>
Clerk:			
Personnel services	14,000	14,430	(430)
Supplies	-	-	-
Other services and charges	-	-	-
Total Clerk	<u>14,000</u>	<u>14,430</u>	<u>(430)</u>
Treasurer:			
Personnel services	14,195	14,551	(356)
Supplies	-	-	-
Other services and charges	-	-	-
Total Treasurer	<u>14,195</u>	<u>14,551</u>	<u>(356)</u>
Assessor:			
Personnel services	13,195	13,656	(461)
Supplies	470	469	1
Other services and charges	10,000	10,000	-
Total Assessor	<u>23,665</u>	<u>24,125</u>	<u>(460)</u>
Board of Review:			
Personnel services	685	678	7
Supplies	-	-	-
Other services and charges	60	57	3
Total Board of Review	<u>745</u>	<u>735</u>	<u>10</u>
Township Office, Hall and Grounds:			
Personnel services	-	-	-
Supplies	16,080	19,763	(3,683)
Other services and charges	51,810	48,090	3,720
Capital outlay	14,550	14,550	-
Total Township Office, Hall and Grounds	<u>82,440</u>	<u>82,403</u>	<u>37</u>

Republic Township, Michigan

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Cemetery:			
Personnel services	\$ 290	\$ 268	\$ 22
Supplies	450	1,226	(776)
Other services and charges	1,115	314	801
Total Cemetery	1,855	1,808	47
TOTAL GENERAL SERVICES AND ADMINISTRATION	145,045	146,308	(1,263)
PUBLIC SAFETY:			
Fire:			
Personnel services	1,345	1,329	16
Supplies	14,280	18,038	(3,758)
Other services and charges	15,900	12,119	3,781
Total Police	31,525	31,486	39
ID System:			
Personnel services	-	-	-
Supplies	65	62	3
Other services and charges	-	-	-
Total Ambulance	65	62	3
TOTAL PUBLIC SAFETY	31,590	31,548	42
PUBLIC WORKS:			
Department of Public Works:			
Personnel services	66,045	66,588	(543)
Supplies	600	1,080	(480)
Other services and charges	1,115	605	510
Total Department of Public Works	67,760	68,273	(513)
Street Lighting:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	17,650	17,650	-
Total Street Lighting	17,650	17,650	-
Vehicle Pool:			
Personnel services	465	465	-
Supplies	3,450	13,754	(10,304)
Other services and charges	10,320	9,165	1,155
Capital outlay	9,165	-	9,165
Total Vehicle Pool	23,400	23,384	16
TOTAL PUBLIC WORKS	108,810	109,307	(497)

Republic Township, Michigan

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Planning and Zoning Commission:			
Personnel services	\$ 3,145	\$ 3,200	\$ (55)
Supplies	-	-	-
Other services and charges	1,720	1,696	24
Total Planning and Zoning Commission	4,865	4,896	(31)
 TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	 4,865	 4,896	 (31)
 HEALTH AND WELFARE:			
Ambulance:			
Personnel services	8,000	8,242	(242)
Supplies	12,505	14,302	(1,797)
Other services and charges	10,735	8,926	1,809
Total Ambulance	31,240	31,470	(230)
 TOTAL HEALTH AND WELFARE	 31,240	 31,470	 (230)
 RECREATION AND CULTURE:			
Parks & Recreation:			
Personnel services	8,490	8,483	7
Supplies	1,075	1,115	(40)
Other services and charges	4,370	4,318	52
Total Recreation	13,935	13,916	19
 Youth Community Center:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	1,420	1,401	19
Total Youth Community Center	1,420	1,401	19
 TOTAL RECREATION AND CULTURE	 15,355	 15,317	 38
 OTHER FUNCTIONS:			
Insurance and bonds	22,375	22,372	3
Miscellaneous	13,785	40,731	(26,946)
 TOTAL OTHER FUNCTIONS	 36,160	 63,103	 (26,943)
 TOTAL EXPENDITURES	 417,310	 446,321	 (29,011)
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 95,035	 24,504	 (70,531)

Republic Township, Michigan

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES):			
Transfers In	\$ -	\$ -	\$ -
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	95,035	24,504	(70,531)
Fund balance, beginning of year	330,472	330,472	-
FUND BALANCE, END OF YEAR	<u>\$ 425,507</u>	<u>\$ 354,976</u>	<u>\$ (70,531)</u>

Republic Township, Michigan

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2007

	Tax Collection Fund
ASSETS:	
Cash and equivalents	<u>\$ 310,961</u>
TOTAL ASSETS	<u>310,961</u>
LIABILITIES:	
Due to other funds	310,961
Due to other units	<u>-</u>
TOTAL LIABILITIES	<u>\$ 310,961</u>

COMPLIANCE SUPPLEMENTS



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Marquette, Michigan 906-225-1166
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Partners

John W. Blemberg, CPA

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Daniel E. Bianchi, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees of the
Township of Republic, Michigan
P.O. Box 338
Republic, Michigan 49879

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Republic, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township of Republic, Michigan's basic financial statements and have issued our report thereon dated May 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Republic, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Republic, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Republic, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Republic, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Republic, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Township of Republic, Michigan's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting as items 07-01 and 07-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Republic, Michigan's internal control.

The Board of Trustees of the
Township of Republic, Michigan

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Republic, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and are described in the accompanying report to management as items 07-3.

The Township of Republic, Michigan's responses to the significant deficiencies identified in our audit is described in the accompanying report to management. We did not audit the Township of Republic, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 10, 2008



Anderson, Tackman & Company, PLC

Certified Public Accountants

Marquette, Michigan 906-225-1166

Fax – 1-906-225-1714

Partners

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

*Township of Republic, Michigan
Report to Management Letter
For the Year Ended March 31, 2007*

The Board of Trustees of the
Township of Republic, Michigan
P.O. Box 338
Republic, Michigan 49879

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Republic, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Republic, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Republic, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Republic, Michigan's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

07-01 – FINANCIAL REPORTING CYCLE

Condition/Criteria: The monthly and year end financial reporting package as presented to the Board of Trustees is not fully compliant with generally accepted accounting principles. The general ledger is recorded on the cash basis of accounting and not on the modified-accrual basis of accounting.

The Board of Trustees of the
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Effect: Because the accruals are not being record in the general ledger until after the audit, the financial statements are not compliant with generally accepted accounting principles.

Cause of Condition: Failure to record accruals in the general ledger.

Recommendation: We suggest that monthly and at year end, all accruals are recorded in the general ledger.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Gary Johnson, Supervisor
- Corrective Action Planned:
 - The Township of Republic, Michigan is planning on starting to record accruals on a monthly basis in the coming fiscal year.
- Anticipated Completion Date:
 - March 31, 2009

07-02 – CASH RECONCILIATIONS

Condition/Criteria: Although the Township of Republic, Michigan cash is being reconciled to a subsidiary spreadsheet for monitoring, it is not being reconciled to the general ledger on a monthly basis and not being approved by a separate party. The basis of strength in any system of sound internal control is a strong reconciliation function.

Effect: Because the cash accounts are not being reconciled in the general ledger system, there is activity missing from the general ledger during the year and creates a lack of internal controls.

Cause of Condition: Failure to properly reconcile the general ledger to the bank accounts and treasurer's manual bank reconciliations.

Recommendation: We suggest, and good internal control dictates, the general ledger accounts are reconciled on a monthly basis with the appropriate accounting entries being made to the system even if a supplemental activity is being performed. This will insure accurate financial reporting on an interim basis for decision making by the Board of Trustees and management.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Vickie Skogman, Clerk
- Corrective Action Planned:
 - The Township of Republic, Michigan is planning on incorporating improved cash reconciliation procedures in the coming fiscal year.
- Anticipated Completion Date:
 - March 31, 2009

INSTANCE OF NON-COMPLIANCE

07-03 – UNIFORM BUDGETING AND ACCOUNTING ACT (PA621)

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that townships shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Republic, Michigan had actual expenditures and budgeted expenditures for the General Fund and Special Revenue Funds have been shown on a functional basis. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended March 31, 2007, the Township of Republic, Michigan incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

The Board of Trustees of the
Township of Republic, Michigan
Republic, Michigan 49879

Effect: The Township of Republic, Michigan is not in compliance with State Law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The Township of Republic, Michigan should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Vickie Skogman, Clerk
- Corrective Action Planned:
 - The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
 - March 31, 2008

This communication is intended solely for the information and use of the management, the Board of Trustees, and others within the organization, and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Township of Republic, Michigan's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 10, 2008



Anderson, Tackman & Company, PLC

Certified Public Accountants
Marquette, Michigan 906-225-1166
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Partners

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

March 10, 2008

The Board of Trustees of the
Township of Republic, Michigan
P.O. Box 338
Republic, Michigan 49879

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Republic, Michigan for the year ended March 31, 2007, and have issued our report thereon dated May 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Township of Republic, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the Township of Republic, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters in the engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Republic, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements are listed in Note A.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed because the Township of Republic, Michigan's capital assets in the Governmental Activities has never been recorded in the past, as required by GASB #34. Developing these records took longer than expected.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management. Conversion of cash basis accounting to the full-accrual basis of accounting, and recording missing activity from the general ledger due to improper cash reconciliations.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 10, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The Board of Trustees of the
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Republic, Michigan 49879

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Township of Republic, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Republic, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Township of Republic, Michigan's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting as items 07-01 and 07-02.

As part of obtaining reasonable assurance about whether the Township of Republic, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and are described in the accompanying report to management as items 07-3.

This information is intended solely for the use of the Township of Republic, Michigan Board of Trustees and management of the Township of Republic, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company

Anderson, Tackman & Company, PLC